

Study of the Taxation of Electronically Delivered Products

To: Committee Members
From: Department of Revenue
Date: November 19, 2008
Re: Draft conclusion for the Final Report.

The revised "Conclusion" portion of the draft final report is below for your review and comment. As discussed during the public meeting yesterday, the Department will provide a revised final draft report by Thursday, November 20, 2008. The revised draft will include red-lined edits showing all changes incorporating the Committee's suggestions, as well as this revised "Conclusion."

Please provide comments by Monday, November 24, 2008 to Dylan Waits (360-570-6134, dylanw@dor.wa.gov). Comments will be accepted between 12:00 noon tomorrow, November 20, 2008 and 12:00 noon Monday, November 24, 2008. All comments are part of a special meeting occurring via e-mail. Notice of this special meeting, the revised draft final report, and comments will be sent to Committee members and the Study listserve. These documents will be posted on the Study pages of the Department's Internet site.

As discussed during the public meeting yesterday, the Department will schedule a telephonic Committee special meeting for Tuesday, November 25, 2008.

Conclusion

We hope the Legislature finds this report useful as it considers the complex issues raised by the taxation of digital products.

Although the Committee did not agree on a specific tax policy proposal, the Committee believes consensus for future legislation is possible if such legislation:

- Protects the tax base through a general imposition tax on all digital products and digital automated services;
- Contains a sufficiently broad business input exemption;
- Provides sales and use tax amnesty to taxpayers who failed to pay or collect tax on the purchase of digital products for prior periods;
- Maintains conformity with the SSUTA definitions; and
- Does not harm server farms and data centers located in Washington.

The Department appreciates the opportunity to work with the Study Committee members and looks forward to continuing to support the members' efforts to find common ground in this area before the upcoming legislative session.